May 29, 2024

Aseem Infrastructure Finance Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term fund-based/Non-fund based bank lines	0.0	11,350.0	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Long Term / Short Term-Fund Based/Non-fund Based-Term Loan	11,350.0	0.0	-
Non-convertible debenture	2,550.0	2,550.0	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debenture	100.0	0.0	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Market linked debenture	400.0	400.0	PP-MLD[ICRA]AA+ (Stable); reaffirmed
Market linked debenture	100.0	0.0	PP-MLD[ICRA]AA+ (Stable); reaffirmed and withdrawn
Total	**14,500**	**14,300.0**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reflect the strength of Aseem Infrastructure Finance Limited's (AIFL) parentage, particularly from the National Investment and Infrastructure Fund II (NIIF II; Strategic Opportunities Fund or SOF), which had a 59% stake in AIFL as on March 31, 2024, and the Government of India (GoI), which held a 31% stake through its direct investment in AIFL. The remaining 10% stake is held by Sumitomo Mitsui Banking Corporation (SMBC).

ICRA believes that AIFL is important to the GoI as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore (of which Rs. 1,700 crore has already been drawn down) by the GoI in the NIIF debt platform, comprising AIFL and NIIF Infrastructure Finance Limited (NIIF IFL). The GoI's support also aims to attract more investment in the infrastructure sector, as envisaged under the National Infrastructure Pipeline (NIP). The ratings also factor in AIFL's operational linkages with NIIF, availability of commensurate capital for near-term growth, access to debt funds at competitive rates owing to its parentage, strong quality indicators (albeit on a limited seasoned book) and adequate liquidity.

ICRA notes that AIFL has a limited track record of operations (it received the registration certificate as a non-banking financial company - Infrastructure finance company (NBFC-IFC) in January 2020 and commenced its lending operations in August 2020) in relation to the relatively higher tenure of its loan book. In this regard, ICRA notes favourably that the company has scaled up the business with sectoral diversification over the last four years and it reported a loan book of Rs. 13,284 crore as on March 31, 2024, with nil delinquencies since inception.

Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~21% of the total book as on March 31, 2024). While the addition of under-construction projects augments the portfolio vulnerability due to project execution risks, AIFL has mitigated the risk to an extent by being selective in its lending and has lent to projects with relatively better credit profile sponsors. ICRA also takes comfort from the management's stated intention to ensure that operational projects will continue to account for the majority share of the overall mix going forward.

Given the early stage of operations, the profitability indicators are not truly reflective of the business metrics. Going forward, the company's ability to grow its loan book profitably while maintaining prudent capitalisation levels and asset quality indicators would be key monitoring factors. ICRA expects AIFL to raise funds in line with the maturity profile of its assets, thereby supporting its asset liability maturity (ALM) profile.

The stable outlook reflects ICRA's expectation that AIFL would continue to grow its portfolio with support from key investors, its experienced management team, operational synergies with NIIF and its demonstrated financial flexibility.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 100-crore non-convertible debenture (NCD) and reaffirmed and withdrawn the rating assigned to the Rs. 100-crore market linked debenture at the request of the company as no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to GoI – AIFL's ratings reflect its strong parentage, particularly from the NIIF II (SOF), holding a 59% stake in the entity as on March 31, 2024, and the GoI with a 31% stake through direct investments in the company. The remaining 10% stake is held by SMBC. NIIF is an investor-owned fund manager, anchored by the GoI in collaboration with leading global and domestic institutional investors. It is a collaborative investment platform for international and Indian investors seeking investment opportunities in infrastructure and other high-growth sectors of the country. Given NIIF's strong financial flexibility and quasi-sovereign ownership, ICRA expects timely growth capital support for AIFL.

ICRA believes that AIFL is important to the GoI, as it is a part of the debt platform under NIIF for the development of long-term infrastructure in India. This is also reflected in the committed equity infusion of Rs. 6,000 crore by the GoI in the NIIF debt platform, comprising AIFL and NIIF IFL, as well as efforts to attract more investments in the infrastructure sector as enumerated in the NIP. From the total infusion of Rs. 6,000 crore, ~Rs. 4,300 crore is still available for drawdown by both entities. This is over and above the GoI's capital commitment of Rs. 20,000 crore to the NIIF platform across three funds namely, Master Fund, Fund of Funds and SOF. ICRA expects AIFL to continue playing an important role in furthering GoI's objective of infrastructure development in the near term.

Operational synergies with NIIF – NIIF is a fund manager anchored by the GoI, which invests in infrastructure and high-growth sectors in India. It has invested in the Infrastructure Debt Financing platform through its SOF, which focuses on investing in sectors with significant growth potential. ICRA expects AIFL to leverage its synergies with NIIF IFL (part of the NIIF platform) through the joint underwriting of refinancing deals. AIFL is expected to follow the approach of project lifecycle financing by sharing risks and rewards with partner banks/institutions while maintaining a conservative liability profile and low credit costs. Also, as planned earlier, the company has gradually added greenfield projects to its portfolio (~21% of the total book as on March 31, 2024). While the addition of under-construction projects augments the portfolio vulnerability due to project execution risks, AIFL has mitigated the risk to an extent by being selective in its lending and has lent to projects with relatively better credit profile sponsors. ICRA also takes comfort from the management's stated intention to ensure that operational projects will continue to account for the majority share of the overall mix going forward.

The target sectors identified by AIFL include green energy, roads, power transmission, along with ports, airports, education, telecom and data centre. The company's board reflects substantial control of NIIF on its operations and strategy. AIFL also has an experienced senior management team with considerable experience in the infrastructure financing space.

Capital profile healthy for near term growth; access to debt funds at competitive rates, supported by parentage – AIFL raised Rs. 1,287 crore through two rounds of capital infusions by NIIF in January 2020 and May 2020, followed by ~Rs. 947 crore from NIIF (Rs. 132 crore), the GoI (Rs. 815 crore) in March 2021 and Rs. 317 crore from SMBC in March 2022. This led to a reported net worth of Rs. 2,800 crore as on March 31, 2023. Subsequently, the company's net worth increased to Rs. 3,005 crore on account of internal capital generation. Committed capital support from the GoI and expected support from NIIF are likely to keep AIFL comfortably capitalised going forward. Further, AIFL plans to raise fresh capital from other strategic investors, in addition to the GoI/NIIF, as its capital requirement would remain high, given its growth plans.

In terms of leverage, ICRA expects AIFL to operate at a managed gearing[1] of less than 5 times on a steady-state basis over the medium term. The company enjoys good financial flexibility, with the ability to raise funds at competitive rates of interest from a diverse set of lenders, owing to its strong parentage and linkages with the GoI. As on March 31, 2024, AIFL had total borrowings of Rs. 11,574 crore which included term loans (81.9%), NCDs (18.0%) and others including lease liability (0.1%). The company's ability to build and diversify its funding profile over the medium to long term would remain a key monitorable.

Credit challenges

Limited track record of operations in relation to asset tenure; evolving profitability metrics – AIFL commenced lending operations in August 2020, and built a portfolio of Rs. 13,284 crore as on March 31, 2024 (Rs. 11,281 crore as on March 31, 2023), although the overall scale in the infrastructure financing sector remains moderate. ICRA notes the company's limited track of operations in the infrastructure finance business in relation to the tenure of the assets. However, the assets of the portfolio have a vintage of ~5 years with satisfactory performances. As on March 31, 2024, 79% of the projects funded by AIFL were operational. However, the nature of infrastructure financing exposes the company to project risks, and the exposures are concentrated. Hence, the portfolio could remain vulnerable to asset quality shocks in case of slippages in a few exposures, which could adversely affect profitability, although the company has managed these risks well so far.

With ~3.5 years of lending operations, AIFL reported moderate return on managed assets (RoMA) and return on net worth (RoNW) of 1.5% and 7.1%, respectively, in FY2024 (1.4% and 5.4%, respectively, in FY2023) and not reflecting the complete business potential. Over the long term, the company's ability to grow its portfolio profitably while maintaining control over credit underwriting and achieving profitability would remain key monitorable. Also, the recently proposed draft regulatory changes could have some impact on underlying projects and future demand if implemented in their current form, making regulatory developments in this regard another aspect to monitor.

Liquidity position: Adequate

The liquidity profile is adequate as AIFL has raised long-term funds in line with the long-term maturity profile of the assets it funds. Its ALM profile, as on March 31, 2024, reflected positive cumulative mismatches across all buckets up to one year. As on March 31, 2024, AIFL had available liquidity in the form of a cash and bank balance of ~Rs. 476 crore and unutilised bank lines of Rs. 2,730 crore, providing comfortable liquidity cover over the debt repayments of ~Rs. 2,546 crore due over the next one year. Further, liquidity is supported by the expected cash inflow of ~Rs. 3,111 crore from the advances during the above-mentioned period. The company's good financial flexibility due to its strong parentage provides additional comfort.

Rating sensitivities

Positive factors – Significant scale of operations across diversified sectors, while maintaining strong asset quality and improving profitability, would be a credit positive.

Negative factors – Any significant change in the likelihood of support from the sponsors or key shareholders could warrant a rating downgrade. Pressure on AIFL's ratings could emerge on a significant deterioration in its capitalisation profile and/or weakening of the asset quality, leading to a deterioration in its solvency on a sustained basis.

[1] *Managed Gearing = (Total on-balance sheet borrowings + Off-book portfolio)/ Net worth. Since AIFL does not have any off-book portfolio, the managed gearing for the company would be same as reported gearing*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on withdrawal of credit ratings
Parent/Group support	The ratings derive significant strength from AIFL's parentage with 59% of the shares held by NIIF, 31% held by the GoI and 10% held by SMBC as on March 31, 2024. With the sovereign ownership of NIIF, an investor-owned fund manager anchored by the GoI in collaboration with global and domestic institutional investors, ICRA expects timely growth capital and liquidity support to AIFL.
Consolidation/Standalone	Standalone

About the company

AIFL, a subsidiary of NIIF II (SOF) managed by NIIF (a GoI-anchored fund), is registered as a non-banking financial company - Infrastructure finance company (NBFC-IFC). It received an IFC licence from the RBI in January 2020 and commenced business in August 2020. It funds infrastructure projects across various phases with a mix of operating, brownfield and greenfield assets within the regulatory guidelines. As on March 31, 2024, the company had a diversified sectoral portfolio of Rs. 13,284 crore, compared to Rs. 11,281 crore as on March 31, 2023.

The company reported a profit after tax (PAT) of Rs. 205 crore in FY2024 on a total managed asset size of Rs. 14,709 crore as on March 31, 2024, compared to a PAT of Rs. 146 crore in FY2023 on a total managed asset size of Rs. 12,968 crore as on March 31, 2023. The company's net worth stood at Rs. 3,005 crore with a managed gearing of 3.9 times as on March 31, 2024, compared to a net worth of Rs. 2,800 crore and managed gearing of 3.6 times as on March 31, 2023. The company reported nil gross NPA as on March 31, 2024 (nil GNPA as on March 31, 2023).

National Investment Infrastructure Fund

NIIF is sponsored by the GoI to catalyse funding into the country's infrastructure sector. It has three funds, each of which is registered with the Securities and Exchange Board of India (SEBI) as Category II Alternative Investment Funds (AIFs). NIIF's investment objective is to generate attractive long-term risk-adjusted returns for its investors on a sustainable basis. The GoI's aggregate contribution to NIIF is Rs. 20,000 crore and it is proposed that a similar amount will be raised from third-party investors such that the GoI's contribution will be 49% of NIIF. It has also received a commitment from certain domestic and international institutions, including the Abu Dhabi Investment Authority (ADIA) and Temasek. Moreover, the Governing Council of NIIF is chaired by the Finance Minister of India and includes the Secretary - Department of Economic Affairs and the Secretary - Department of Financial Services among representatives from its other investors. More details about NIIF are available at https://niifindia.in/.

Key financial indicators

Aseem Infrastructure Finance Limited	FY2021	FY2022	FY2023	FY2024
	Audited	Audited	Audited	Audited
Total income	47	314	789	1,196
Profit after tax	21	85	146	205
Total managed assets	2,713	8,521	12,968	14,709
Return on managed assets	1.3%	1.5%	1.4%	1.5%
Managed Gearing[2] (times)	0.2	2.2	3.6	3.9
Gross stage 3 (%)	0.0%	0.0%	0.0%	0.0%
CRAR	150.9%	35.2%	21.2%	20.6%

*Source: Company, ICRA Research; All ratios as per ICRA calculations; Amount in Rs. crore; *Excluding NFB exposure*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[2] *Managed Gearing = (Total on-balance sheet borrowings + Off-book portfolio)/ Net worth. Since AIFL does not have any off-book portfolio, the managed gearing for the company would be same as reported gearing*

Rating history for past three years

Instrument		Current rating (FY2025)				Chronology of rating history for the past 3 years						
		Type	Amount rated (Rs. crore)	Amount outstanding* (Rs. crore)	Date and rating in FY2025	Date and rating in FY2024	Date and rating in FY2023		Date and rating in FY2022			
					May 29, 2024	May 30, 2023	Dec 16, 2022	Apr 14, 2022	Dec 30, 2021 Dec 14, 2021	Sep 21, 2021	Aug 26, 2021
1	Long-term/Short-term fund-based/non-fund based bank lines	Long term/ Short term	11,350.0	10,772.1	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
2	Long-term/Short-term fund-based/non-fund based term loan	Long term/ Short term	0.0	-	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
3	Non-convertible debenture	Long term	2,550.0	1,050.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-
4	Non-convertible debenture	Long term	100.0	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-
5	Market linked debenture	Long term	400.0	400.0	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	-	-
6	Market linked debenture	Long term	100	-	PP-MLD[ICRA]AA+ (Stable); withdrawn	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	PP-MLD[ICRA]AA+ (Stable)	-	-

*Source: ICRA; *As on May 23, 2024*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term/ short-term Fund based/non-fund based bank lines	Very simple
Non-convertible debenture	Very simple
Market linked debenture	Moderately complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details (as on May 23, 2024)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0AD507010	**Non-convertible debenture**	May-10-2021	7.00%	May-10-2024	100.0	[ICRA]AA+ (Stable); withdrawn
INE0AD507028	**Non-convertible debenture**	May-10-2021	7.35%	May-09-2025	100.0	[ICRA]AA+ (Stable)
INE0AD507036	**Non-convertible debenture**	May-10-2021	7.70%	May-08-2026	100.0	[ICRA]AA+ (Stable)
INE0AD507044	**Non-convertible debenture**	Dec-01-2021	6.50%	Nov-29-2024	200.0	[ICRA]AA+ (Stable)
INE0AD507093	**Non-convertible debenture**	Sep-05-2022	8.25%	Sep-03-2027	650.0	[ICRA]AA+ (Stable)
NA*	**Non-convertible debenture**	NA	NA	NA	1,500.0	[ICRA]AA+ (Stable)
INE0AD507051	**Market linked debenture**	Dec-17-2021	5.60%	Dec-15-2023	25.0	PP-MLD[ICRA]AA+ (Stable); withdrawn
INE0AD507069	**Market linked debenture**	Dec-17-2021	6.00%	Oct-17-2024	275.0	PP-MLD[ICRA]AA+ (Stable)
INE0AD507101	**Market linked debenture**	Jan-23-2023	8.00%	Jul-23-2025	125.0	PP-MLD[ICRA]AA+ (Stable)
NA*	**Market linked debenture**	NA	NA	NA	75.0	PP-MLD[ICRA]AA+ (Stable) ; withdrawn
NA	**Long-term/Short-term fund-based/non-fund based bank lines**	FY2021	NA	FY2030	11,350.0	[ICRA]AA+ (Stable)/ [ICRA]A1+

*Source: Company; *Yet to be placed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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